

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 L-03 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /086 R

DRAFTED BY EB/ORF/FSE:DFHART:JM

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ARA - WLUERS

ARA - MR. FISHLOW

ARA/NC - TSONANDRES

FEA - CKEBINGER

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R 152331Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: PETROLEUM - FEA ENTITLEMENTS

REF: CARACAS 8141

1. FEA HAS PROVIDED FOLLOWING STATUS REPORT ON ENTITLEMENTS PROGRAM AND PROSPECTS FOR CHANGE. THE FUTURE STATUS OF THE ENTITLEMENTS PROGRAM IS UNCLEAR FOR THE FOLLOWING REASONS: IF THE PLANNED PRESIDENTIAL VETO OF THE EXTENSION OF EPAA IS SUSTAINED THE ENTITLEMENTS PROGRAM WILL EXPIRE ON AUGUST 31. WE WOULD THEN EXPECT DOMESTIC CRUDE OIL PRICES TO RISE TO PARITY WITH FOREIGN PRICES. IF THE VETO LIMITED OFFICIAL USE
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IS NOT SUSTAINED, THE ENTITLEMENTS PROGRAM WILL CONTINUE. ONE OTHER POSSIBILITY IS EVENTUAL DEVELOPMENT OF AN ALTERNATIVE PLAN FOR THE PHASED DECONTROL OF OLD OIL (US DOMESTIC PRICE-CONTROLLED OIL) OVER AN EXTENDED PERIOD

OF TIME. FOR YOUR INFORMATION, THE PREFERENTIAL TREATMENT ACCORDED TO THE NEPCO REFINERY IN THE BAHAMAS EXPIRED ON JULY 31, 1975. NEPCO'S REQUEST FOR AN EXTENSION FOR THE MONTH OF AUGUST HAS BEEN DENIED, ALTHOUGH IF THE ENTITLEMENTS PROGRAM IS CONTINUED, THAT DECISION IS SUBJECT TO FURTHER REVIEW. THE AMERADA HESS VIRGIN ISLANDS SITUATION CONTINUES TO BE STUDIED.

2. FYI. SINCE CONTINUATION OF THE ENTITLEMENTS PROGRAM IS PRESENTLY MOOT, DEPARTMENT PLANS NO FURTHER ACTION AT THIS TIME ON VENEZUELAN APPROACH TO YOU. ALTHOUGH ENTITLEMENTS TO HESS ARE UNDER STUDY, YOU SHOULD NOT ACKNOWLEDGE CONTENTION THAT THESE ENTITLEMENTS CONSTITUTE DISCRIMINATION AGAINST VENEZUELA. WITH ELIMINATION OF NEPCO EXCEPTION NO REFINERY OUTSIDE US JURISDICTION CURRENTLY RECEIVES ENTITLEMENTS. END FYI. SISCO

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